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Thompson PAPER BOX CO. LIMITED

**ANNUAL REPORT
1972 - 1973**



PAPER BOX CO. LIMITED

and Subsidiary Companies

ANNUAL REPORT

for the year ended March 31, 1973

Directors

*J.M. Armour, B.A.Sc.	W.A. Marshall	L. Thompson
*R.F. Chisholm, O.B.E.	J.W. Maxwell	*J.P. Walwyn
*B.A. Howard, C.D., B.A.Sc., P.Eng.	J.O. Shields	*A.B. Young, M.B.A.

***MEMBERS OF THE EXECUTIVE COMMITTEE**

Officers

Chairman of the Board	R.F. Chisholm
Honorary President	L. Thompson
President	J.M. Armour
Senior Vice-President	B.A. Howard
Vice-President	J.W. Maxwell
Vice-President	J.O. Shields
Secretary	Ian MacGregor
Assistant Secretary	C.M. Kujus

Transfer Agent and Registrar

Canada Permanent Trust Company
1901 Yonge Street
Toronto, Ontario, M4S 1Y8

Fiscal Agents

Walwyn, Stodgell & Co. Limited
110 Yonge Street
Toronto, Ontario, M5C 1T4

Auditors

Coopers & Lybrand
145 King Street W.
Toronto, Ontario, M5H 1J8

Head Office:

44 Norwood Terrace, Toronto, Ontario, M4E 2H1



PAPER BOX CO. LIMITED
and Subsidiary Companies

DIRECTORS' REPORT TO THE SHAREHOLDERS:

The consolidated net earnings for the Fiscal Year ended March 31st, 1973 were \$167,637 or \$.60 per common share. This result is a significant improvement from our previous year in which the comparable earnings per common share were \$.09 before an extraordinary adjustment.

During the past year consolidated revenue also continued to increase satisfactorily. This trend of increasing earnings and revenue is continuing into the current fiscal year as is shown in the result of the First Quarter ended June 30, 1973, which is included with this report. Your Management is confident that these encouraging improvements will continue throughout the year.

During the year just ended the company purchased for cancellation 150 first preference shares in accordance with their terms of issue. Regular quarterly dividends were paid throughout the year on all outstanding preference shares and a common stock dividend of \$.05 was paid in the fourth quarter. The common stock dividend was increased to \$.075 in the first quarter of the current year, reflecting the improved earnings trend of the company.

Mr. Lindsay Thompson, the founder and, until recently, President of the parent company is retiring from the Board of Directors leaving a legacy of significant contribution and service to this company over a period of many years. Mr. Thompson takes with him the esteem and affection of his colleagues and many friends throughout the industry.

The Directors wish to record their appreciation for the continued valuable contribution made by the officers and staff during a year of marked improvement in all the operating divisions of the company.

John M. Armour
President

Robert F. Chisholm
Chairman of the Board

August 22, 1973



PAPER BOX CO. LIMITED
and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

	1973 \$	1972 \$
SALES	9,047,114	8,015,655 ✓
OPERATING COSTS AND OTHER EXPENSES	8,653,054	7,823,800
DEPRECIATION	74,699	73,088
INTEREST ON LONG-TERM DEBT	49,501	27,996
	<u>8,777,254</u>	<u>7,924,884</u>
	<u>269,860</u>	<u>90,771</u>
PROVISION FOR INCOME TAXES		
Current	126,300	89,900
Deferred (note 5)	5,400	(54,200)
	<u>131,700</u>	<u>35,700</u>
	138,160	55,071
SHARE OF NET EARNINGS (LOSS) OF CORPORATE JOINT VENTURE . .	35,741	(16,440)
	<u>173,901</u>	<u>38,631</u>
MINORITY INTEREST (note 7)		
Dividend on preference shares of subsidiary company	6,264	6,264 ✓
NET EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM	167,637	32,367 ✓
EXTRAORDINARY ITEM		
Write-down of marketable securities	—	32,650
NET EARNINGS (LOSS) FOR THE YEAR	<u>167,637</u>	<u>(283)</u> ✓
RETAINED EARNINGS - BEGINNING OF YEAR	309,304	314,396
	<u>476,941</u>	<u>314,113</u>
Retroactive adjustment to record share of net earnings (loss) of corporate joint venture (note 2)	(13,227)	3,213
	<u>463,714</u>	<u>317,326</u>
DIVIDENDS PAID		
Preference	7,701	7,984
Common	13,265	13,265
	<u>20,966</u>	<u>21,249</u>
RETAINED EARNINGS - END OF YEAR	<u>442,748</u>	<u>296,077</u>
NET EARNINGS PER COMMON SHARE (note 10)		
Net earnings (loss) before extraordinary item60	.09 ✓
Net earnings (loss) for the year	<u>.60</u>	<u>(.03)</u> ✓



PAPER BOX CO. LIMITED
and Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

	1973	1972
	\$	\$
SOURCE OF WORKING CAPITAL		
Net earnings (loss) for the year	167,637	(283)
Items not affecting working capital -		
Depreciation	74,699	73,088
Deferred income taxes (note 5)	5,400	(54,200)
Share of net loss (earnings) in corporate joint venture	<u>(35,741)</u>	<u>16,440</u>
Provided from operations	211,995	35,045
Increase in long-term debt	142,500	—
Redemption of life insurance policies	<u>—</u>	<u>64,964</u>
	<u>354,495</u>	<u>100,009</u>
USE OF WORKING CAPITAL		
Purchase of fixed assets (net)	32,504	57,531
Reduction in long-term debt	—	87,611
Repayment of loans from shareholders and others	—	63,650
Redemption of first preference shares	7,500	7,500
Payment of dividends	<u>20,966</u>	<u>21,249</u>
	<u>60,970</u>	<u>237,541</u>
NET INCREASE (DECREASE) IN WORKING CAPITAL	293,525	(137,532)
WORKING CAPITAL - BEGINNING OF YEAR	<u>736,971</u>	<u>874,503</u>
WORKING CAPITAL - END OF YEAR	<u><u>1,030,496</u></u>	<u><u>736,971</u></u>

CONSOLIDATED BALANCE

ASSETS

	1973	1972
	\$	\$

CURRENT ASSETS

Marketable securities - at cost, less amount written off (quoted value \$39,097; 1972 - \$40,103)	40,753	41,853
Accounts receivable (note 3)	1,303,686	1,346,786
Inventories - at the lower of cost or net realizable value (note 4)	1,637,442	1,697,425
Prepaid expenses	49,918	46,350
	<u>3,031,799</u>	<u>3,132,414</u>

OTHER ASSETS

Deferred income taxes (note 5)	112,022	117,422
Investment in corporate joint venture (note 2)	55,514	19,773
	<u>167,536</u>	<u>137,195</u>

FIXED ASSETS (note 9)	<u>438,577</u>	<u>480,772</u>
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GOODWILL

Excess of cost of shares in subsidiary companies over net book value at dates of acquisition	767,839	767,839
	<u>4,405,751</u>	<u>4,518,220</u>

SIGNED ON BEHALF OF THE BOARD

R.F. Chisholm	Chairman of the Board
J.M. Armour	President

AUDITORS' REPORT

We have examined the consolidated balance sheet of Thompson Paper Box Co. Limited and its subsidiaries as at March 31, 1973 and the consolidated statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario
July 25, 1973

R BOX CO. LIMITED

and Subsidiary Companies

ET AS AT MARCH 31, 1973

LIABILITIES

	1973 \$	1972 \$
CURRENT LIABILITIES		
Bank advances (note 3)	618,168	867,720
Accounts payable and accrued liabilities	1,248,952	1,377,156
Income taxes payable	44,183	62,956
Current portion of long-term debt (note 6)	90,000	87,611
	<u>2,001,303</u>	<u>2,395,443</u>
LONG-TERM DEBT (notes 3 and 6)	<u>322,500</u>	<u>180,000</u>
MINORITY INTEREST (note 7)		
Preference shares of subsidiary company	104,400	104,400
	<u>2,428,203</u>	<u>2,679,843</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 8)	1,534,800	1,542,300
RETAINED EARNINGS	442,748	296,077
	<u>1,977,548</u>	<u>1,838,377</u>
	<u>4,405,751</u>	<u>4,518,220</u>

THE SHAREHOLDERS

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1973 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for an investment in a corporate joint venture described in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants



PAPER BOX CO. LIMITED

and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1973

1. PRINCIPLES OF CONSOLIDATION

These financial statements include the accounts of Thompson Paper Box Co. Limited and all of its subsidiary companies.

2. INVESTMENT IN CORPORATE JOINT VENTURE

During the year, a subsidiary company changed its accounting for its investment in a corporate joint venture from the cost method to the equity method and has given retroactive effect to the change.

3. BANK ADVANCES AND TERM BANK LOAN (note 6)

The bank advances and term bank loan are secured by a floating charge debenture on the assets of Thompson Paper Box Co. Limited and its subsidiary companies.

4. INVENTORIES

Inventories are classified as follows:

	1973	1972
	\$	\$
Raw materials	307,978	299,813
Work in process	132,091	113,373
Finished goods	<u>1,197,373</u>	<u>1,284,239</u>
	<u>1,637,442</u>	<u>1,697,425</u>

5. DEFERRED INCOME TAXES

Deferred income taxes of \$5,400 were debited to 1973 earnings. The year-end balances consist of:

	1973	1972
	\$	\$
(a) Tax charges expected to be recovered upon the application against future years' income of prior years' losses	136,225	139,325
(b) Tax credits due to claiming capital cost allowance in excess of depreciation charged	<u>(24,203)</u>	<u>(21,903)</u>
	<u>112,022</u>	<u>117,422</u>

6. LONG-TERM DEBT

Long-term debt is classified as follows:

	1973	1972
	\$	\$
Term bank loan secured (note 3)	412,500	242,611
Shareholder's loan	-	25,000
	<u>412,500</u>	<u>267,611</u>
Less: Current portion	<u>90,000</u>	<u>87,611</u>
	<u>322,500</u>	<u>180,000</u>

The term bank loan is repayable by instalments in the years 1974 to 1977.

7. MINORITY INTEREST

The company has agreed to purchase the minority interest in the preference shares of a subsidiary company on or before November 29, 1973.

8. CAPITAL STOCK

(a) Authorized —

11,252 6% cumulative first preference shares with a par value of \$50 each, redeemable at the amount paid up thereon plus 5% thereof
135,000 3% non-cumulative second preference shares with a par value of \$1 each, redeemable at the amount paid up thereon
300,000 common shares without par value

(b) Issued and fully paid —

	1973	1972
	\$	\$
2,492 first preference shares	124,600	132,100
265,300 common shares	<u>1,410,200</u>	<u>1,410,200</u>
	<u>1,534,800</u>	<u>1,542,300</u>

(c) Redemption of first preference shares —

In accordance with the terms of issue of the first preference shares, the company is required to provide a sinking fund of not less than \$7,500 by July 1, of each year. The July 1, 1972 instalment was applied to cancel 150 shares at their par value of \$50 each.

(d) Stock option plan —

The directors have reserved 13,250 unissued common shares to be used for a stock option plan for key employees. Of this amount options totalling 11,700 shares have been granted to be exercised during the eight years ending January 11, 1982 at a price of \$5.00 per share.

Notes to Consolidated Financial Statements (Continued)

9. FIXED ASSETS

Fixed assets and related accumulated depreciation are classified as follows:

	1973			1972
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Land	1,740	—	1,740	1,740
Building	158,176	60,031	98,145	102,168
Machinery and equipment	1,284,349	997,701	286,648	317,647
Vehicles	97,068	76,694	20,374	34,458
Leasehold improvements	49,972	18,302	31,670	24,759
	<u>1,591,305</u>	<u>1,152,728</u>	<u>438,577</u>	<u>480,772</u>

10. NET EARNINGS (LOSS) PER COMMON SHARE

Net earnings (loss) per common share is based on the weighted monthly average number of common shares outstanding during each year. Preference share dividends have been deducted in arriving at the net earnings (loss) available to common shareholders.

12. LEASE COMMITMENTS

The companies are obligated to make the following annual payments under the long-term lease contracts:

Year	Annual amount
	\$
1974	186,400
1975	166,400
1976	155,400
1977	130,300
1978	110,000
1979	106,580
1980	91,500

and lesser amounts averaging \$39,000 annually from 1981 to 1987.

11. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers as defined by Section 178 of the Business Corporations Act, amounted to \$203,813 (1972 - \$188,379).

